

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 PA-01
PRS-01 OES-07 INT-05 L-03 NSC-05 SS-15 STR-04
CEA-01 /108 W

-----031806Z 112385 /50

R 021755Z MAY 77
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 7208
INFO AMEMBASSY BUCHAREST

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E.O. 11652: N/A
TAGS: PFOR, ECON, CS
SUBJECT: COMMERCIAL AND ECONOMIC COOPERATION AGREEMENT WITH RUMANIA

1. ALEXANDRU MARGARITESCU, FIRST VICE MINISTER OF FOREIGN COMMERCE AND INTERNATIONAL ECONOMIC COOPERATION, VISITED COSTA RICA FROM THE 22ND TO THE 27TH OF APRIL FOR THE FIRST SESSION OF THE "RUMANIAN-COSTA RICAN MIXED GOVERNMENTAL COMMITTEE. THE COSTA RICAN DELEGATION THAT MET WITH THAY DANDHMA D WAS HEADED BY JORGE SANCHEZ MENDEZ, MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE. ATILHE CONCLUSION OF THE VISIT, A PROTOCOL WAS SIGNED COVERING A NUMBER OF TOPICS AND IT WAS AGREED THAT THE MIXED COMMITTEE WOULD HAVE ITS NEXT MEETING IN BUCHAREST IN THE 4TH QUARTER OF 1978.

2. THE PROTOCOL SIGNED BY THE TWO GOVERNMENTS COVERED TWO MAJOR TOPICS: TRADE; AND ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION. IN THE TRADE PORTION OF THE AGREEMENT, EACH COUNTRY LISTED THE PRODUCTS WHICH IT WOULD LIKE TO EXPORT TO THE OTHER. IN THE CASE OF COSTA RICA THESE WERE MAINLY TRADITIONAL AGRICULTURAL EXPORTS
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AND IN THE CASE OF RUMANIA, MAINLY TRACTORS, MACHINERY, ELECTRICAL EQUIPMENT, FERTILIZERS, CHEMICALS, PHARMA-CEUTICALS, PAPER AND WINES. RUMANIA AGREED, ACCORDING TO THE PROTOCOL, TO PROVIDE A LINE OF CREDIT TO COSTA RICA TO FINANCE EQUIPMENT, MACHINERY, AND INDUSTRIAL INSTALLATIONS FROM RUMANIA. THE TERMS ARE TO BE NEGOTIATED BY THE CENTRAL BANK OF COSTA RICA AND THE

FOREIGN TRADE BANK OF RUMANIA DURING THE MONTH OF MAY.

3. THE TECHNICAL ASSISTANCE PART OF THE PROTOCOL COVERED ECONOMIC COOPERATION IN MINING, HYDROELECTRIC POWER AND FORESTRY. SPECIFICALLY THE RUMANIANS AGREED TO:

-- COOPERATE IN THE REALIZATION OF THE PROJECT
"EXPLOITATION OF THE BAUXITE DEPOSITS OF
SAN ISIDRO DE EL GENERAL AND ITS TRANSFORMATION
INTO ALUMINA AND ALUMINUM METAL."

--EVALUATE SULFUR DEPOSITS IN COSTA RICA.

--STUDY MATERIAL TO BE PROVIDED BY COSTA RICA ON
SILICOSE SANDS WITH A VIEW TO FORMULATING A
TECHNICAL AND COMMERCIAL OFFER TO CARRY OUT A
FEASIBILITY STUDY.

--ANALYZE MATERIALS TO BE PROVIDED BY COSTA RICA
CONCERNING OTHER MINERALS AND PETROLEUM.

--CONSIDER A COSTA RICAN PROPOSAL FOR DEVELOPMENT
OF A HYDROELECTRIC PROJECT AT BIRRI.

--PROVIDE FORESTRY ASSISTANCE, INCLUDING
INVENTORS
OF FOREST AREAS, EROSION PROJECTS
AND SCIENTIFIC INVESTIGATIONS IN THE FIELD OF
FORESTRY.
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4. COMMENT: THE MOST IMPORTANT ASPECT OF THE DISCUS-
SIONS FROM THE POINT OF VIEW OF COSTA RICA CONCERNED
BAUXITE AND ALUMINUM DEVELOPMENT. THE EMBASSY HAS
DISCUSSED THE NEGOTIATIONS WITH THE COSTA RICAN ELEC-
TRICITY INSTITUTE (ICE) WHICH TOOK THE LEAD IN THIS
ASPECT OF THE NEGOTIATIONS.

5. THE RUMANIANS HAVE PREVIOUSLY SHOWN AN INTEREST IN
DEVELOPING COSTA RICA'S BAUXITE DEPOSITS AND IT WAS
ASSUMED THAT THE DISCUSSIONS WOULD FOCUS ON THIS POSSI-
BILITY. INSTEAD, ACCORDING TO ICE, THE RUMANIANS
ARRIVED IN THE COUNTRY WITH A PROPOSAL TO IMPORT ALUMINA
AND USE COSTA RICAN POWER TO CONVERT THE ALUMINA TO
ALUMINUM. THE ALUMINUM WOULD THEN BE SOLD ON THE WORLD
MARKET. THE COSTA RICANS REJECTED THIS IDEA (WHICH WOULD
DUPLICATE A PROJECT ALREADY UNDER NEGOTIATION WITH
AMERICAN AND JAPANESE ALUMINUM COMPANIES) AND DIRECTED
THE DISCUSSION TOWARD THE POSSIBILITY OF RUMANIA

DEVELOPING COSTA RICA'S BAUXITE DEPOSITS.

6. THE PROTOCOL COMMITS RUMANIA TO CARRY OUT A FEASIBILITY STUDY BUT DOES NOT MAKE CLEAR WHAT THE STUDY WOULD COVER. ACCORDING TO ICE, THE UNDERSTANDING BETWEEN COSTA RICA AND RUMANIA ON BAUXITE AND ALUMINA CONSISTS OF THREE ELEMENTS:

A. A STUDY OF THE FEASIBILITY OF MINING COSTA RICAN BAUXITE AND CONVERTING IT TO ALUMINA;

B. A STUDY OF THE FEASIBILITY OF A 30,000-TON SMELTER TO CONVERT THE ALUMINA TO ALUMINUM;

C. IF THE SMELTER SHOULD BE BUILT, THE ANODES WOULD BE SUPPLIED BY RUMANIA.

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7. THE RUMANIANS ARE TO PAY THE FULL COSTS OF THE FEASIBILITY STUDIES. IF THE OUTCOME IS FAVORABLE AND THE PROJECTS ARE IMPLEMENTED, THEY WOULD BE CARRIED OUT ON A JOINT VENTURE BASIS AND THE COST OF THE STUDIES WOULD BE CREDITED TO RUMANIA'S SHARE OF THE INVESTMENT.

8. ICE DOES NOT EXPECT THE STUDIES TO LEAD TO ANYTHING. THEY BELIEVE THAT AN ALUMINUM PLANT AS SMALL AS 30,000 TONS WOULD PROVE TO BE IDECONOMIC. IF THE RUMANIAN STUDY SHOWS SUCH A PLANT TO BE ECONOMIC, COSTA RICA COULD PROVIDE SUFFICIENT POWER FROM ITS CURRENT ELECTRICITY GENERATION PROGRAM. THUS, THE RUMANIAN PROJECT WOULD NOT INTERFERE WITH, OR IN ANY WAY BE RELATED TO, THE MUCH LARGER BORUCA HYDROELECTRIC ALUMINUM PROJECT WHICH IS OF INTEREST TO AMERICAN COMPANIES.

9. THE EMBASSY WILL POUCH THE TEXT (IN SPANISH) OF THE COSTA RICAN-RUMANIAN PROTOCOL.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, AGREEMENTS, COMMITTEE MEETINGS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Sent Date: 02-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SANJO01872
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770154-1287
Format: TEL
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197705103/aaaadlrq.tel
Line Count: 158
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6838e287-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2330519
Secure: OPEN
Status: NATIVE
Subject: COMMERCIAL AND ECONOMIC COOPERATION AGREEMENT WITH ROMANIA
TAGS: PFOR, ECON, CS, RO, (MARGARITESCU, ALEXANDRU), (MENDEZ, JORGE SANCHEZ)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6838e287-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009